El Camino Community College District

Annual Financial Report

June 30, 2009 and 2008

EL CAMINO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2009 AND 2008

TABLE OF CONTENTS
JUNE 30, 2009 AND 2008

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the accompanying basic financial statements of the business-type activities of El Camino Community College District (the District) as of and for the years ended June 30, 2009 and 2008. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the El Camino Community College District Foundation (the Foundation), which represents 100 percent of the assets, net assets, and revenues of the District's aggregate discretely presented component unit as of June 30, 2009 and June 30, 2008, and for the years then ended. Those statements were audited by other auditors whose reports dated August 20, 2009 and November 13, 2008, thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of El Camino Community College District and its discretely presented component unit as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the Financial Statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for the year ended June 30, 2009.

As discussed in Note 14 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations of El Camino Community College District.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 97 through 104 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 18, 2009

EL CAMINO COMMUNITY COLLEGE DISTRICT

16007 Crenshaw Boulevard Torrance, California 90506-0001
Telephone (310)532-3670 or 1-877-ECAMINO

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the El Camino Community College District (the District) for the year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

Officially established as of July 1, 1946, and located centrally in the South Bay, the District encompasses five unified and high school districts, twelve elementary school districts, and nine cities, a population of almost one million. The District's primary service area includes the residents of Inglewood, Lennox, El Segundo, Hawthorne, Lawndale, Hermosa Beach, Manhattan Beach, Redondo Beach, and Torrance. We offer programs of the highest quality for El Camino students who continue on with their higher education studies; programs of remediation and re-entry; a leading community provider of programs for seniors; offer cultural and arts programs of national distinction; programs of exceptional depth in professional training, job training, and workforce development; and community service programs of personal interest.

FINANCIAL HIGHLIGHTS

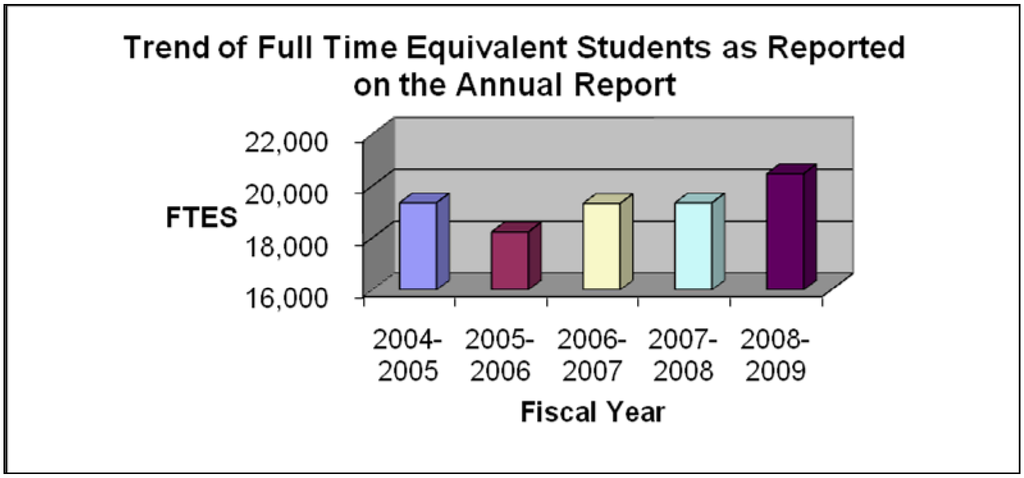
This section provides an overview of the District's financial activities. The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 during fiscal year 2002-2003 using the Business-Type Activity (BTA) model. The California Community Colleges System's Office, through its Fiscal and Accountability Standards Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the System's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for these financial statements. Three years of prior data is presented in the Management's Discussion and Analysis and in the accompanying audited financial statements. This affords a comparative analysis of data.

The El Camino Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges System's Office has recommended that all State community colleges follow the BTA model for financial statement reporting purposes.

SELECTED HIGHLIGHTS

- During 2008-2009, total full-time equivalent students (FTES) increased by 1,135 from prior year. Credit and non-credit FTES, along with other workload measures, are the basis for the District's State apportionment.



- In November 2002, the residents of the District passed a General Obligation Bond for $394,516,464 to improve the existing facilities, construct new facilities, purchase equipment, and purchase property. The first series of bonds were issued for $63,700,000 and spending, in accordance with the master facilities plan, was fully implemented in 2003-2004. The second series of bonds in the amount of $150 million was issued in September 2006.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets, liabilities, and net assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

The Statement of Net Assets is summarized below:

(Amounts in thousands)

	2009	2008	2007
ASSETS			
CURRENT ASSETS			
Cash and investments	$ 146,547	$ 169,011	$ 201,289
Accounts receivable	25,358	23,270	23,152
Other current assets	1,016	1,375	1,861
Total Current Assets	172,921	193,656	226,302
NONCURRENT ASSETS			
Other assets - non current	5,882	4,588	4,875
Capital assets, net of depreciation	152,220	131,100	88,517
Total Noncurrent Assets	158,102	135,688	93,392
TOTAL ASSETS	331,023	329,344	319,694
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued interest payable	15,250	18,948	21,780
Deferred revenue	8,990	7,270	6,843
Amounts held in trust on behalf of others	1,568	1,520	1,400
Current portion of long-term obligations	5,722	5,932	7,237
Total Current Liabilities	31,530	33,670	37,260
NONCURRENT LIABILITIES			
Long-term obligations	193,796	197,773	203,496
Total Noncurrent Liabilities	193,796	197,773	203,496
TOTAL LIABILITIES	225,326	231,443	240,756
NET ASSETS			
Invested in capital assets, net of related debt	63,637	60,739	42,800
Restricted for:			
Debt service	7,276	10,843	13,763
Educational programs	1,900	1,741	1,270
Capital projects	3,797	2,620	4,020
Other activities	21	89	61
Unrestricted	29,066	21,869	17,024
TOTAL NET ASSETS	$ 105,697	$ 97,901	$ 78,938

- Approximately 98 percent of the cash balance is cash deposited in the Los Angeles County Treasury. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash during fiscal year 2008-2009.

- The majority of the accounts receivable balance is from Federal and State source for grant entitlement programs. Also included is an account receivable for the third and fourth quarter lottery payment of $1,234,523 and a receivable for apportionment in the amount of $11,257,999. Student receivables are $9,254,277 (gross) or $4,412,616 net of allowance for doubtful accounts.

- Capital assets had a net increase of $24,251,308. Depreciation expense of $4,428,455 was recognized during 2008-2009. The capital asset section of this discussion and analysis provides greater detail.

- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2009. Total accounts payable are $11,797,559; $1,829,492 of the balance was accrued in the General Fund related to payables for vendors; $4,700,395 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of $4,236,035 are for amounts due to or on behalf of employees for wages and benefits.

Long-term obligations include 2003 General Obligation Bonds, Series A, that have been issued in the amount of $63,700,000, 2005 General Obligation Refunding Bonds that have been issued in the amount of $40,252,335, and 2006 General Obligation Bonds, Series B, that have been issued in the amount of $150,000,000. Additional information regarding long-term obligations is included in the Capital Asset and Debt Administration section of this discussion and analysis.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not, by the District, the operating and nonoperating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are nonoperating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Assets is summarized below:

(Amounts in thousands)

	2009	2008	2007
OPERATING REVENUES			
Tuition and Fees	$ 17,695	$ 16,655	$ 16,010
Less: Scholarship discount and allowance	(3,816)	(3,145)	(3,076)
Net tuition and fees	13,879	13,510	12,934
Auxiliary Enterprise Sales and Charges			
Bookstore	8,635	8,178	7,455
TOTAL OPERATING REVENUES	22,514	21,688	20,389
OPERATING EXPENSES			
Salaries	87,106	84,922	78,766
Employee benefits	23,908	19,704	19,960
Supplies, materials, and other operating expenses and services	49,185	43,278	39,451
Depreciation	4,428	2,689	2,644
TOTAL OPERATING EXPENSES	164,627	150,593	140,821
OPERATING LOSS	(142,113)	(128,905)	(120,432)
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	69,946	66,659	69,062
Local property taxes	36,847	35,091	36,417
Federal grants and contracts, noncapital	23,041	17,222	13,509
State grants and contracts, noncapital	10,217	12,847	12,444
State taxes and other revenues	2,967	3,099	3,798
Investment income	5,401	8,224	8,983
Interest expense on capital related debt	(8,340)	(8,550)	(7,632)
Interest income on capital asset-related debt, net	262	392	387
Transfer to agency fund	(301)	(301)	(346)
Other nonoperating revenue	6,021	4,715	6,210
TOTAL NONOPERATING REVENUES (EXPENSES)	146,061	139,398	142,832
INCOME BEFORE OTHER REVENUES	3,948	10,493	22,400
OTHER REVENUE			
State revenues, capital	3,848	8,470	1,973
CHANGE IN NET ASSETS	7,796	18,963	24,373
NET ASSETS, BEGINNING OF YEAR	97,901	78,938	54,565
NET ASSETS, END OF YEAR	$ 105,697	$ 97,901	$ 78,938

- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.

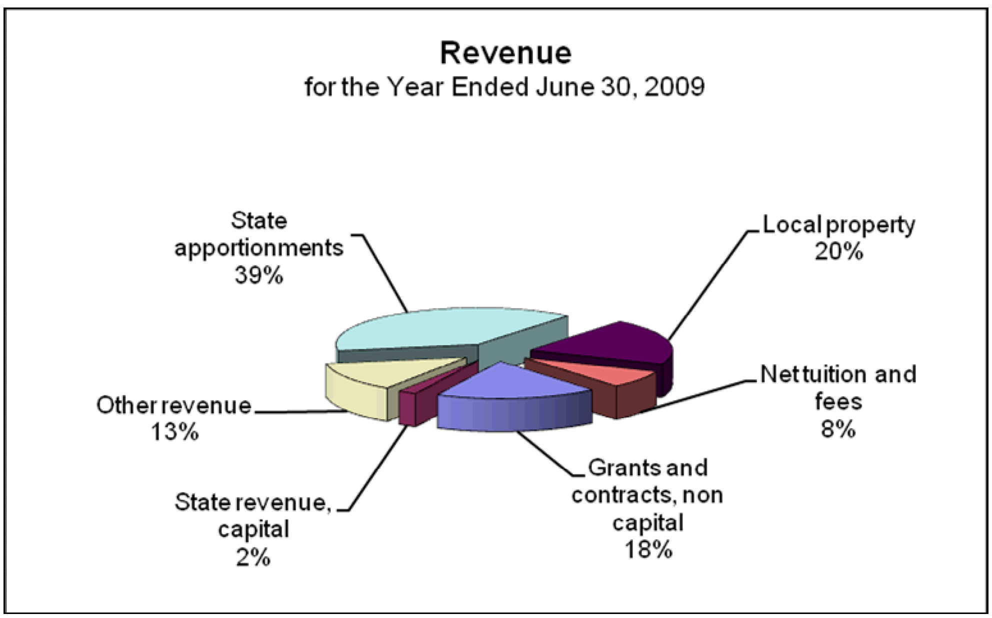
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.

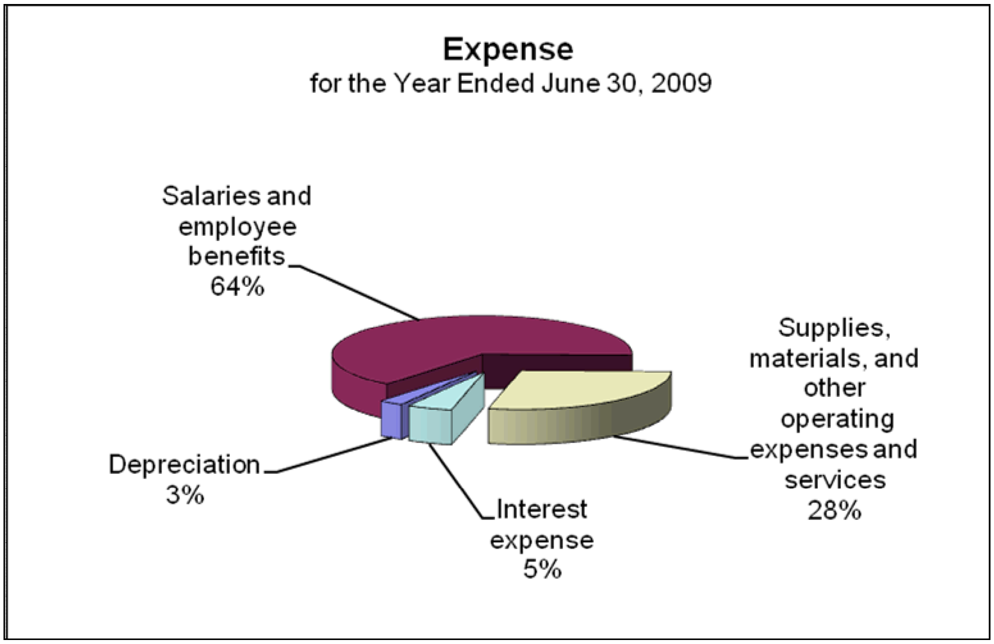
- Salaries and benefits make up 64 percent of total expenses as compared to other operating expenses (supplies, student financial aid, other services, capital outlay below the capitalization threshold, insurance, and utilities) which make up 28 percent of total expenses.

- State apportionment is generated based on the workload measures reported to the State by the District. The District has experienced increases in the various workload measures.

- Local property taxes are received through the Auditor-Controller's Office for Los Angeles County. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.

- State apportionments, capital, are the amount of capital outlay, deferred maintenance, architectural barrier removal, and hazardous substance funding received from the State through the Department of Finance. Approved State capital outlay projects are typically funded 50 percent by the State.





STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

The Statement of Cash Flows for the years ended June 30, 2009, 2008, and 2007, is summarized below:

(Amounts in thousands)

	2009	2008	2007
Cash Flows From			
Operating activities	$ (139,625)	$ (128,277)	$ (88,487)
Noncapital financing activities	134,781	125,365	111,715
Capital and related financing activities	(23,749)	(39,680)	104,247
Investing activities	6,129	10,315	5,574
Net Change in Cash	(22,464)	(32,277)	133,049
Cash - Beginning of Year	169,011	201,288	68,239
Cash - End of Year	$ 146,547	$ 169,011	$ 201,288

- Cash receipts from operating activities are from student tuition and auxiliary sales. Use of cash are payments to employees, vendors and students related to the instructional program.

- State apportionment received based on the workload measures generated by the District accounts for 47.8 percent of noncapital financing. Cash received from property taxes accounts for 17.1 percent of the cash generated in this section.

- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment).

- Cash from investing activities is interest earned on cash in bank and cash invested through the Los Angeles County pool and on investments with fiduciaries. Approximately $3,662,664 was received from the Los Angeles County pool that paid an average rate of 2.53 percent.

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, the District had $152,220,009 invested in capital assets net of accumulated depreciation. Total capital assets of $201,971,735 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of $49,751,726. Capital asset additions of $25,608,971 occurred during 2008-2009, and depreciation expense of $4,428,455 was recorded for the fiscal year.

Capital additions primarily comprise replacement and renovation of facilities, as well as investments in equipment, including information technology. Current year additions were funded by general obligation bond funds and State scheduled maintenance grant funding which were designated for capital purposes.

Construction in progress of $48,582,506 at June 30, 2009, includes the construction of a new parking structure, the renovation of the Bookstore and Social Science buildings, the construction of a new Math, Business, and Allied Health building, and continuing infrastructure renovation.

Note 6 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

(Amounts in thousands)

	2009	2008	2007
Land	$ 1,050	$ 1,050	$ 1,050
Construction in progress	48,582	49,697	53,128
Site improvements, net	23,658	782	450
Buildings and improvements, net	76,491	76,899	31,619
Vehicles and equipment, net	2,439	2,672	2,270
Net Capital Assets	$ 152,220	$ 131,100	$ 88,517

Obligations

At June 30, 2009, the District had $194,980,285 in debt outstanding due to issuance of general obligation bonds. The general obligation bonds were issued to finance the acquisition, construction, and modernization of certain District property and facilities. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District received a bond rating of "AAA" for Standard and Poor's.

Note 10 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

(Amounts in thousands)

	2009	2008	2007
2003 General Obligation Bond, Series A	$ 8,175	$ 9,625	$ 11,030
Unamortized premium	1,369	1,643	1,917
2005 General Obligation Refunding Bonds	32,634	32,931	33,196
Unamortized premium	5,661	6,065	6,470
2006 General Obligation Bond, Series B	142,150	145,400	150,000
Unamortized premium	4,991	5,209	5,425
Compensated absences	2,821	2,832	2,695
Net OPEB obligation	1,717	-	-
Total	$ 199,518	$ 203,705	$ 210,733

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In August 2006, El Camino Community College District entered into a partnership agreement with Compton Community College District beginning with the 2006-2007 fiscal year, creating the El Camino College Compton Education Center. El Camino Community College District anticipates operating the Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a separate community college.

Revenue generated from the partnership agreement ($4.5 million) is considered annual one-time funds. The District is using the additional State appropriations to fund annual or one-time activities that will impact enrollment management and program enhancement related costs. There is an accounting "fire wall" between the two districts (i.e., Compton Community College District (the CCCD)). While El Camino Community College District will be responsible for managing all aspects of the Center, the CCCD is held financially responsible for all fiscal actions and, therefore, will not be merged into El Camino Community College District's future financial statements.

The projected economic condition of the State of California has indicated that budget funds will be reduced in fiscal years 2009-2010 and 2010-2011. Further reductions in funding will impact the District's ability to fund student programs and services. The District had achieved and surpassed its original restoration goal of 19,306 FTES during 2008-2009, reaching an enrollment of over 20,000 FTES. However, the State has now reduced the District's revenue limit from 19,300 FTES in 2008-2009 to 18,900 FTES in 2009-2010. This results in a loss of $1,826,000 in State support in 2009-2010. Given the large scale reduction in the State funded portion of the District's budget, the District was proactive in identifying more than $5,000,000 of budget reductions. The State-forced reductions resulted in the District's decline in the number of class offerings. These forced budget reductions have positioned the District for the future negative impact from the State. The District's policy of fiscal prudence, combined with the identification of budget reductions, have positioned the District during this time of economic uncertainty.

Step and column salary increases have been provided for in the 2009-2010 District budget. No additional salary increase has been negotiated for calendar year 2010.

The 2008-2009 California Public Employees' Retirement Systems (CalPERS) employer contribution rate was 9.428 percent of classified payroll for a total unrestricted General Fund cost of $2,228,171. The District is budgeting $2,239,312 for the 2009-2010 estimated contribution at a rate of 9.709 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the next years to a rate of 15 percent in fiscal year 2014-2015. The 2008-2009 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 8.25 percent of certificated payroll for a total unrestricted General Fund cost of $3,354,974. The District is budgeting $4,010,903 for the 2009-2010 fiscal year. The CalSTRS employer contribution rate remains at 8.25 percent for the 2009-2010 fiscal year, but is expected to increase to 12.25 percent by fiscal year 2014-2015. The District is awaiting word on changes to the employer contribution rates in the future.

The State enrollment fee for credit classes increased from $20 to $26 per unit, effective with the Fall 2009 semester. It does not appear that this fee increase has negatively impacted enrollment.

Utility costs continue to increase on a local level. The District has increased its utility budget for 2009-2010 by eight percent.

District paid medical benefits are expected to increase by six to eight percent in calendar year 2010. Medical benefit premium expenses are expected to continue to increase through future years. This increase is paid from the District's unrestricted General Fund.

The District has growing concern over delays in general apportionment payments from the State of California. These delays translate into cash flow challenges. This could result in further increases in our Tax Revenue and Anticipation Note (TRAN) borrowing or other borrowing.

The District will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: El Camino Community College District, 16007 Crenshaw Boulevard, Torrance, California 90506.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,274,197	$ 2,710,372
Investments	144,272,567	166,300,833
Accounts receivable	20,945,623	20,130,187
Student receivable, net	4,412,616	3,140,132
Prepaid expenses	23,550	38,239
Inventories	769,435	1,112,798
Deferred cost on issuance - current portion	223,380	223,380
Other current assets - current portion	121	118
Total Current Assets	172,921,489	193,656,059
NONCURRENT ASSETS		
Deferred cost on issuance - noncurrent portion	2,319,637	2,543,017
Other current assets - noncurrent portion	3,562,113	2,044,878
Nondepreciable capital assets	49,632,506	50,747,368
Depreciable capital assets, net of accumulated depreciation	102,587,503	80,353,044
Total Noncurrent Assets	158,101,759	135,688,307
TOTAL ASSETS	331,023,248	329,344,366
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	11,797,559	15,423,657
Accrued interest payable	3,452,623	3,524,914
Deferred revenue	8,990,112	7,269,831
Amounts held in custody on behalf of others	1,567,381	1,519,954
Accrued compensated absences	100,000	100,000
Bonds payable - current	5,622,351	5,832,068
Total Current Liabilities	31,530,026	33,670,424
NONCURRENT LIABILITIES		
Accrued compensated absences payable	2,720,854	2,732,264
Bonds payable - noncurrent	189,357,934	195,040,619
Other long-term liabilities	1,717,355	-
Total Noncurrent Liabilities	193,796,143	197,772,883
TOTAL LIABILITIES	225,326,169	231,443,307
NET ASSETS		
Invested in capital assets, net of related debt	63,636,922	60,739,400
Restricted for:		
Debt service	7,276,472	7,317,612
Educational programs	1,899,547	1,741,464
Capital projects	3,797,239	2,619,911
Other activities	21,332	88,833
Unrestricted	29,065,567	25,393,839
TOTAL NET ASSETS	$ 105,697,079	$ 97,901,059

The accompanying notes are an integral part of these financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES		
Student Tuition and Fees	$ 17,695,102	$ 16,654,839
Less: Scholarship discounts and allowances	(3,815,992)	(3,144,784)
Net tuition and fees	13,879,110	13,510,055
Auxiliary Enterprise Sales and Charges		
Bookstore	8,634,656	8,177,595
TOTAL OPERATING REVENUES	22,513,766	21,687,650
OPERATING EXPENSES		
Salaries	87,105,459	84,921,518
Employee benefits	23,907,465	19,704,331
Supplies, materials, and other operating expenses and services	29,407,466	28,608,636
Student financial aid	19,778,110	14,669,584
Depreciation	4,428,455	2,689,418
TOTAL OPERATING EXPENSES	164,626,955	150,593,487
OPERATING LOSS	(142,113,189)	(128,905,837)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	69,945,465	66,659,580
Local property taxes - levied for general purposes	23,038,385	22,711,241
Taxes levied for other specific purposes	13,809,009	12,379,457
Federal grants and contracts, noncapital	23,041,324	17,221,713
State grants and contracts, noncapital	10,217,299	12,847,463
State taxes and other revenues	2,966,968	3,099,460
Investment income	5,400,818	8,224,050
Interest expense on capital related debt	(8,339,827)	(8,550,407)
Interest income on capital asset-related debt, net	261,588	391,597
Transfer to agency fund	(301,000)	(301,000)
Other nonoperating revenue	6,021,190	4,715,354
TOTAL NONOPERATING REVENUES (EXPENSES)	146,061,219	139,398,508
INCOME BEFORE OTHER REVENUES	3,948,030	10,492,671
OTHER REVENUE		
State revenues, capital	3,847,990	8,469,630
CHANGE IN NET ASSETS	7,796,020	18,962,301
NET ASSETS, BEGINNING OF YEAR	97,901,059	78,938,758
NET ASSETS, END OF YEAR	$ 105,697,079	$ 97,901,059

The accompanying notes are an integral part of these financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 12,974,285	$ 13,495,224
Payments to vendors for supplies and services	(32,396,156)	(27,103,396)
Payments to or on behalf of employees	(109,107,170)	(108,296,741)
Payments to students for scholarships and grants	(19,778,110)	(14,669,584)
Auxiliary enterprise sales and charges	8,634,656	8,177,595
Other operating receipts	47,427	120,076
Net Cash Flows From Operating Activities	(139,625,068)	(128,276,826)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	64,454,486	70,993,859
Grants and contracts	34,089,396	29,163,570
Property taxes - nondebt related	23,038,385	22,711,241
State taxes and other revenues	7,368,657	(1,937,453)
Other nonoperating	5,829,774	4,432,880
Net Cash Flows From Noncapital Financing Activities	134,780,698	125,364,097
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(27,658,806)	(45,428,885)
Proceeds from capital debt	902,759	935,452
State revenue, capital projects	3,847,990	8,469,630
Deferred cost on issuance	223,380	223,380
Property taxes - related to capital debt	13,809,009	12,379,457
Principal paid on capital debt	(5,900,000)	(7,205,000)
Unamortized premium	(895,161)	(895,161)
Interest paid on capital debt	(8,339,827)	(8,550,407)
Interest received on capital asset-related debt	261,588	391,597
Net Cash Flows From Capital Financing Activities	(23,749,068)	(39,679,937)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	6,128,997	10,315,229
Net Cash Flows From Investing Activities	6,128,997	10,315,229
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,464,441)	(32,277,437)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	169,011,205	201,288,642
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 146,546,764	$ 169,011,205

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (142,113,189)	$ (128,905,837)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense and amortization expense	4,428,455	2,689,418
Changes in Operating Assets and Liabilities:		
Receivables, net	(1,272,484)	(403,915)
Inventories	343,363	528,114
Prepaid expenses	14,689	21,967
Other assets	(1,517,238)	149
Accounts payable and accrued liabilities	(1,648,554)	(2,674,507)
Deferred revenue	386,518	210,905
Funds held for others	47,427	120,076
Compensated absences	(11,410)	136,804
Net OPEB obligation	1,717,355	-
Total Adjustments	2,488,121	629,011
Net Cash Flows From Operating Activities	$ (139,625,068)	$ (128,276,826)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 2,274,197	$ 2,710,372
Cash in county treasury	144,272,567	166,300,833
Total Cash and Cash Equivalents	$ 146,546,764	$ 169,011,205
NONCASH TRANSACTIONS		
On behalf payments for benefits	$ 1,961,271	$ 1,888,746

The accompanying notes are an integral part of these financial statements.

DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	$ 363,236	$ 1,256,075
Investments	5,105,080	5,216,577
Promises to give	1,000	5,000
Contributions receivable from split-interest agreements	176,807	183,110
Other assets	4,500	10,080
TOTAL ASSETS	$ 5,650,623	$ 6,670,842
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 42,147	$ 83,895
NET ASSETS		
Unrestricted	444,422	629,635
Temporarily restricted	3,624,667	4,420,280
Permanently restricted	1,539,387	1,537,032
TOTAL NET ASSETS	5,608,476	6,586,947
TOTAL LIABILITIES AND NET ASSETS	$ 5,650,623	$ 6,670,842

The accompanying notes are an integral part of these financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND PROGRAM REVENUES				
Contributions	$ 193,837	$ 574,958	$ 897	$ 769,692
Gifts in kind	-	-	-	-
Contributed material and services	138,579	62,564	-	201,143
Investment income	13,963	167,429	-	181,392
Change in fair value of investments	(85,808)	(785,189)	-	(870,997)
Change in value of split-interest agreements	-	(81,443)	-	(81,443)
Other support	-	35,000	-	35,000
Total Support and Program Revenues	260,571	(26,681)	897	234,787
NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS	767,474	(767,474)	-	-
NET ASSETS RECLASSIFIED TO PERMANENTLY RESTRICTED	-	(1,458)	1,458	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS	1,028,045	(795,613)	2,355	234,787
EXPENSES				
Program activities	908,151	-	-	908,151
General and administrative	214,571	-	-	214,571
Fundraising	90,536	-	-	90,536
Total Expenses	1,213,258	-	-	1,213,258
CHANGE IN NET ASSETS	(185,213)	(795,613)	2,355	(978,471)
NET ASSETS, BEGINNING OF YEAR	629,635	4,420,280	1,537,032	6,586,947
PRIOR PERIOD RESTATEMENT	-	-	-	-
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	629,635	4,420,280	1,537,032	6,586,947
NET ASSETS, END OF YEAR	$ 444,422	$ 3,624,667	$ 1,539,387	$ 5,608,476

The accompanying notes are an integral part of these financial statements.

2008			
Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
$ 79,589	$ 562,897	$ 44,737	$ 687,223
-	-	-	-
86,601	19,054	-	105,655
22,480	180,384	-	202,864
(19,285)	(206,378)	-	(225,663)
-	(55,049)	-	(55,049)
-	105,374	-	105,374
169,385	606,282	44,737	820,404
931,581	(931,581)	-	-
-	(76,000)	76,000	-
1,100,966	(401,299)	120,737	820,404
732,558	-	-	732,558
230,038	-	-	230,038
87,757	-	-	87,757
1,050,353	-	-	1,050,353
50,613	(401,299)	120,737	(229,949)
1,028,740	4,371,861	1,416,295	6,816,896
(449,718)	449,718	-	-
579,022	4,821,579	1,416,295	6,816,896
$ 629,635	$ 4,420,280	$ 1,537,032	$ 6,586,947

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (978,471)	$ (229,949)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Flows from Operating Activities:		
Change in fair value of investments	870,997	225,663
Change in value of split-interest agreements	81,443	55,049
(Increase) decrease in:		
Promises to give	4,000	196,000
Contributions receivable from split-interest agreements	(75,140)	(25,567)
Other assets	5,580	(5,580)
Increase (decrease) in:		
Accounts payable	(41,748)	64,004
Net Cash Flows From Operating Activities	(133,339)	279,620
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(944,500)	(653,699)
Proceeds from sale of investment	185,000	425,092
Net Cash Flows From Investing Activities	(759,500)	(228,607)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(892,839)	51,013
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,256,075	1,205,062
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 363,236	$ 1,256,075

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

The El Camino Community College District (the District) was established in 1946 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college located within Torrance, California. In August 2006, the District entered into a partnership agreement with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and non-credit offerings, as well as financial aid and related student support services. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- **El Camino Community College District Foundation**

  The El Camino Community College District Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The twenty-six member Board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

  The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made,* and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Financial statements for the Foundation can be obtained from the Foundation's Business Office at 16007 Crenshaw Blvd., Torrance, California 90506.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges System's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges System's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38. The business-type activity model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand and demand deposits. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2009 and 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $4,841,661 and $0 for the years ended June 30, 2009 and 2008, respectively.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is sold.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; modular buildings, 20 years; land improvements, 10 years; equipment, 5 to 20 years; vehicles, 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $12,994,590 of restricted net assets.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement Systems (CalPERS) on behalf of all community colleges in California.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in November 2002 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected. The property tax revenue received for the repayment of the bonds for the years ended June 30, 2009 and 2008, was $13,809,009 and $12,379,457, respectively.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in Federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.* During the year ended June 30, 2009 and 2008, the District distributed $3,349,133 and $1,525,733 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Foundation Presentation

The El Camino Community College District Foundation (the Foundation) presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Foundation does not use fund accounting.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with SFAS No. 157.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Changes in Accounting Principles

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the entity-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local government employers.

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provision of the Statement for the fiscal year ended June 30, 2009. The District had an annual required contribution of $1,935,502 for the year June 30, 2009, and made a contribution of $218,147 resulting in an OPEB obligation of $1,717,355.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements for State and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than auditing literature. GASB Statement No. 56 is effective immediately.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	$ 2,146,197
Cash in revolving fund	128,000
Investments	144,272,567
Total Deposits and Investments	$ 146,546,764

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County investment pool.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
County Pool - Los Angeles	$ 145,180,416	495*

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2009. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2009
County Pool - Los Angeles	$ 145,180,416	Not Required	Not Rated

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, the District's bank balance of $3,269,866 was exposed to custodial credit risk because it was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	2009	2008
Federal Government		
Categorical aid	$ 1,992,807	$ 1,744,160
State Government		
Apportionment	11,257,999	5,767,020
Categorical aid	1,160,034	924,604
Lottery	1,234,523	1,113,126
Other State sources	1,343,227	5,866,313
Local Sources		
Interest	852,892	1,581,071
Contract receivables	128,986	198,021
Other local sources	2,975,155	2,935,872
Total	$ 20,945,623	$ 20,130,187
Student receivables	$ 9,254,277	$ 3,140,132
Less reserve	(4,841,661)	-
Student receivables, net	$ 4,412,616	$ 3,140,132

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 5 - OTHER ASSETS

The District has deposited $3,562,113 with the Southern California Community College District (SCCCD) JPA to pay for the future costs of retiree medical premiums.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 1,050,000	$ -	$ -	$ 1,050,000
Construction in progress	49,697,368	24,253,461	25,368,323	48,582,506
Total Capital Assets Not Being Depreciated	50,747,368	24,253,461	25,368,323	49,632,506
Capital Assets Being Depreciated				
Site improvements	3,295,705	22,966,928	-	26,262,633
Buildings and improvements	114,323,253	2,537,195	62,162	116,798,286
Vehicles and equipment	9,354,101	1,219,710	1,295,501	9,278,310
Total Capital Assets Being Depreciated	126,973,059	26,723,833	1,357,663	152,339,229
Total Capital Assets	177,720,427	50,977,294	26,725,986	201,971,735
Less Accumulated Depreciation	46,620,015	4,428,455	1,296,744	49,751,726
Net Capital Assets	$131,100,412	$ 46,548,839	$ 25,429,242	$152,220,009

Depreciation expense for the year was $4,428,455.

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 1,050,000	$ -	$ -	$ 1,050,000
Construction in progress	53,128,287	44,093,978	47,524,897	49,697,368
Total Capital Assets Not Being Depreciated	54,178,287	44,093,978	47,524,897	50,747,368
Capital Assets Being Depreciated				
Site improvements	2,908,522	387,183	-	3,295,705
Buildings and improvements	67,584,617	47,198,494	459,858	114,323,253
Vehicles and equipment	8,236,567	1,117,534	-	9,354,101
Total Capital Assets Being Depreciated	78,729,706	48,703,211	459,858	126,973,059
Total Capital Assets	132,907,993	92,797,189	47,984,755	177,720,427
Less Accumulated Depreciation	44,390,455	2,689,418	459,858	46,620,015
Net Capital Assets	$ 88,517,538	$ 90,107,771	$ 47,524,897	$ 131,100,412

Depreciation expense for the year was $2,689,418.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2009	2008
Accrued payroll and benefits	$ 4,236,035	$ 4,036,226
Instructional service agreements	169,544	297,566
Construction	5,233,771	7,283,606
Other	2,158,209	3,806,259
Total	$ 11,797,559	$ 15,423,657

Discretely Presented Component Unit

The accounts payable of the Foundation consist primarily of amounts owed to vendors for supplies and services.

NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2009	2008
Federal financial assistance	$ 6,179	$ 74,274
State categorical aid	3,552,239	2,150,380
Enrollment fees	4,958,089	4,590,430
Other local	473,605	454,747
Total	$ 8,990,112	$ 7,269,831

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Balances owing between funds at year end were $300,000 and $3,650,000 for the years ended June 30 2009 and 2008, respectively. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2009 and 2008, have been eliminated in the consolidation process for financial statement presentation.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
2003 General Obligation Bonds, Series A	$ 9,625,000	$ -	$ 1,450,000	$ 8,175,000	$1,495,000
Unamortized premium	1,642,776	-	273,796	1,368,980	-
2005 General Obligation Refunding Bonds	32,931,288	902,759	1,200,000	32,634,047	1,127,351
Unamortized premium	6,065,256	-	404,350	5,660,906	-
2006 General Obligation Bonds, Series B	145,400,000	-	3,250,000	142,150,000	3,000,000
Unamortized premium	5,208,367	-	217,015	4,991,352	-
Total Bonds and Notes Payable	200,872,687	902,759	6,795,161	194,980,285	5,622,351
Other Liabilities					
Compensated absences, net	2,832,264	-	11,410	2,820,854	100,000
Net OPEB obligation	-	1,935,502	218,147	1,717,355	-
Total Other Liabilities	2,832,264	1,935,502	229,557	4,538,209	100,000
Total Long-Term Obligations	$ 203,704,951	$2,838,261	$ 7,024,718	$ 199,518,494	$5,722,351

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
2003 General Obligation Bonds, Series A	$ 11,030,000	$ -	$ 1,405,000	$ 9,625,000	$ 1,450,000
Unamortized premium	1,916,572	-	273,796	1,642,776	-
2005 General Obligation Refunding Bonds	33,195,836	935,452	1,200,000	32,931,288	1,132,068
Unamortized premium	6,469,606	-	404,350	6,065,256	-
2006 General Obligation Bonds, Series B	150,000,000	-	4,600,000	145,400,000	3,250,000
Unamortized premium	5,425,382	-	217,015	5,208,367	-
Total Bonds and Notes Payable	208,037,396	935,452	8,100,161	200,872,687	5,832,068
Other Liabilities					
Compensated absences, net	2,695,460	136,804	-	2,832,264	100,000
Total Other Liabilities	2,695,460	136,804	-	2,832,264	100,000
Total Long-Term Obligations	$ 210,732,856	$ 1,072,256	$ 8,100,161	$ 203,704,951	$ 5,932,068

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The accrued vacation will be paid by the fund for which the employee worked. The OPEB obligation will be paid by the General Fund.

Bonded Debt

2003 General Obligation Bonds, Series A

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was $394,516,464. At June 30, 2009, $67,132,335 had been issued and $8,175,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2009, the unamortized premium and issuance costs were $1,368,980 and $642,072, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

2005 General Obligation Refunding Bonds

During August 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of $40,252,335. The bonds issued included $25,045,000 of current interest bonds and $15,207,335 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of $23,395,000. The bonds mature beginning on August 1, 2006 through August 1, 2022, with interest yields ranging from 3.00 percent to 4.12 percent. At June 30, 2009, the principal balance outstanding (including accreted interest to date) was $32,634,047 and unamortized premium and issuance costs were $5,660,906 and $440,665, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used to advance refund a portion of the outstanding General Obligation Bonds, Election of 2002, Series 2003A. The amount of the advance refund for these bonds was $36,820,000. Funds have been placed in an irrevocable escrow account for the future redemption of these bonds. At June 30, 2009, the balance of the funds in the escrow account was $38,646,889. As the advance refunding has met the requirements of an in-substance defeasance, the debt obligations of $36,820,000 for the bonds have been removed as long-term obligations of the District.

2006 General Obligation Bonds, Series B

During September 2006, the District issued the 2006 General Obligation Bonds, Series B in the amount of $150,000,000. The bonds mature beginning August 1, 2007 through August 1, 2031, with interest rates ranging from 3.625 percent to 5.00 percent. At June 30, 2009, the principal balance outstanding was $142,150,000 and unamortized premium and issuance costs were $4,991,352 and $1,460,280, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Issued	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2009
2003	2014	2.50 - 5.00%	$ 63,700,000	$ 9,625,000	$ -	$ -	$ 1,450,000	$ 8,175,000
2005	2023	5.00%	40,252,335	32,931,288	-	902,759	1,200,000	32,634,047
2006	2031	3.50%	150,000,000	145,400,000	-	-	3,250,000	142,150,000
				$ 187,956,288	$ -	$ 902,759	$ 5,900,000	$ 182,959,047

The 2003 General Obligation Bonds, Series A, mature through 2014 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 1,495,000	$ 352,038	$ 1,847,038
2011	1,560,000	287,200	1,847,200
2012	1,625,000	215,375	1,840,375
2013	1,705,000	132,125	1,837,125
2014	1,790,000	44,750	1,834,750
Total	$ 8,175,000	$ 1,031,488	$ 9,206,488

The 2005 General Obligation Refunding Bonds mature through 2023 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2010	$ 1,127,351	$ 67,649	$ 1,252,250	$ 2,447,250
2011	1,007,532	192,468	1,252,250	2,452,250
2012	892,963	302,037	1,252,250	2,447,250
2013	794,735	400,265	1,252,250	2,447,250
2014	707,309	487,691	1,252,250	2,447,250
2015-2019	12,754,157	3,085,843	5,549,875	21,389,875
2020-2023	15,350,000	-	1,582,000	16,932,000
Total	$ 32,634,047	$ 4,535,953	$ 13,393,125	$ 50,563,125

The 2006 General Obligation Bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 3,000,000	$ 6,573,368	$ 9,573,368
2011	1,800,000	6,453,369	8,253,369
2012	2,250,000	6,368,994	8,618,994
2013	3,300,000	6,259,494	9,559,494
2014	4,245,000	6,112,428	10,357,428
2015-2019	25,485,000	27,538,594	53,023,594
2020-2024	32,090,000	20,708,075	52,798,075
2025-2029	40,655,000	11,971,308	52,626,308
2030-2032	29,325,000	2,132,631	31,457,631
Total	$ 142,150,000	$ 94,118,261	$ 236,268,261

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2009, amounted to $2,820,854.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2009, was $1,935,502, and contributions made by the District during the year were $218,147, which resulted in an increase to the net OPEB obligation of $1,717,355. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The El Camino Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the El Camino Community College District. The Plan provides medical benefits to eligible retirees. Membership of the Plan consists of 39 retirees and beneficiaries currently receiving benefits and 813 active Plan members.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal year 2008-2009, the District contributed $218,147 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,935,502
Contributions made	(218,147)
Increase in net OPEB obligation	1,717,355
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ 1,717,355

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	$ 1,935,502	11%	$ 1,717,355

Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2009, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, based on the assumed long-term return on Plan assets or employer assets. The cost trend rate used for the Medical Program was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period is 30 years. The actuarial value of assets was not determined in this actuarial study.

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of $250,000,000, subject to various policy limits. The District also purchases commercial insurance for general liability claims with coverage up to $25,000,000 per occurrence and $60,000,000 aggregate, all subject to various deductibles. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District. The District is self-insured with respect to general and property liability. Losses up to $50,000 for general liability and $25,000 for property liability are paid by the District.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2009, the District contracted with Southern California Community College District Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2008-2009, the District participated in the Southern California Community Colleges Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were $3,585,902, $3,449,669, and $3,312,809, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retiree benefits to the CalSTRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (seven percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2008-2009 was 9.428 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were $2,896,440, $2,573,446, and $2,325,626, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $1,961,271, $1,888,746, and $1,813,813 (4.517 percent) of salaries subject to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Deferral of State Apportionments

Due to the inability of the California State legislature to enact a budget by June 30, 2009, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2008-2009 fiscal year have been deferred to the 2009-2010 fiscal year. The total amount of funding deferred into the 2009-2010 fiscal year was $11,030,544. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

Memorandum of Understanding Between the El Camino Community College District and the Compton Community College District

In both 2006 and 2008, the District entered into memorandums of understanding with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and non-credit offerings, as well as financial aid and related student support services. Compton Community College District has separate fiduciary responsibilities for funding and for capital improvements. El Camino Community College District has a custodial relationship as it relates to the operations of Compton Community College District. Compton Community College District shall save, defend, hold harmless, and indemnify El Camino Community College District in connection with any and all claims, actions, or lawsuits that arise in any manner from acts or omissions of Compton, its officers, employees or agents in the performance of this agreement.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Expenditures for rent under leases for the year ended June 30, 2009, amounted to approximately $366,787.

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Bookstore/Cafeteria	$ 12,761,550	May 2010
Math and Business Building	90,302,000	June 2011
Humanities Plaza	2,208,000	June 2010
Learning Resource Center Addition	249,000	October 2009
Lot H Parking Structure and Athletic Facility	21,170,000	June 2010
Infrastructure Phase III	6,500,000	September 2009
Social Science	11,419,000	June 2010
	$ 144,609,550	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State System's Office.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Southern California Community College District (SCCCD - JPA), the Schools Excess Liability Fund (SELF), the Statewide Association of Community Colleges (SWACC), and the Schools Association for Excess Risk (SAFER) joint powers authorities. The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The District is also a member of the California Statewide Delinquent Tax Finance Authority (CSDTFA). CSDTFA purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through the financing of property tax delinquencies. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE 16 - SUBSEQUENT EVENTS

The District issued $14,775,000 of tax and revenue anticipation notes dated July 1, 2009. The notes mature on June 30, 2010, and yield 0.85 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 2010 until 100 percent of principal and interest due is on account in April 2010.

REQUIRED SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2009	$ -	$ 18,814,878	$ 18,814,878	$ -	$57,178,317	33%

*(b) Entry age normal method

SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2009

The El Camino Community College District was established in July 1946 and is comprised of an area of approximately 50 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

ADMINISTRATION

Dr. Thomas M. Fallo	Superintendent and President of the College
Dr. Francisco Arce	Vice President of Academic Affairs
Ms. Jo Ann Higdon	Vice President of Administrative Services
Dr. Jeanie Nishime	Vice President of Student Services
Ms. Barbara Perez	Vice President of Human Resources

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Assistance Cluster		
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	$ 433,000
Federal Family Education Loans (FFEL)	84.032	3,349,133
Federal Work-Study (FWS)	84.033	495,532
Federal Pell Grant (PELL)	84.063	17,270,493
Federal Pell Administrative Allowance	84.063	31,795
Academic Competitiveness Grant (ACG)	84.375	183,386
Total Student Financial Assistance Cluster		21,763,339
STEM - Improving Student Success Transfer	84.031C	385,815
Title V - Preparing Tomorrow's Teachers Today	84.031S	300,482
Title V - Preparing Tomorrow's Teachers Today	84.031S	145,232
Title V - Preparing Tomorrow's Teachers Today	84.031S	296,690
Pass-through from Santa Monica College		
Title V - Supporting Student Success in Pre-Transfer Mathematics	84.031S	353,449
Title V - Strengthening Institutions - Hispanic Serving Institution	84.031S	413,910
Congressionally Directed Grant for Nursing, Engineering, and Nontraditional Education and Training Programs	84.116Z	189,888
International Trade Compliance Initiative	84.153A	62,340
Pass-through Los Angeles Unified School District		
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	119,962
Child Care Access Means Parents in School	84.335A	63,300
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES		
Pass-through the Western Oregon University		
Training of Interpreters for Individuals who are Deaf or Hard of Hearing and Individuals who are Deaf-Blind	84.160A	141,395
CAREER AND TECHNICAL ACT		
Pass-through the California Community College System's Office		
Perkins IV, Title I, Part C	84.048	1,046,452
Perkins Title II Tech Prep	84.243	81,405
Total U.S. Department of Education		25,363,659
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Pass-through the California Community College System's Office		
Temporary Assistance for Needy Families (TANF)	93.558	121,198
Pass-through the Administration for Children and Families Financial Assistance Award		
Head Start Career Advancement Project (CAP)	93.600	169,924
Total U.S. Department of Health and Human Services		291,122

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Total Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through the California Department of Education		
Child and Adult Food Program	10.558	$ 10,986
Total U.S. Department of Agriculture		10,986
U.S. DEPARTMENT OF STATE		
The International Exchange Program - Trade Exchange	19.014	34,485
Total U.S. Department of State		34,485
NATIONAL SCIENCE FOUNDATION		
Advanced Aerospace Manufacturing Education	47.076	275,150
A Meeting of the Minds	47.076	40,394
Total National Science Foundation		315,544
SMALL BUSINESS ADMINISTRATION		
Pass-through the California Community College System's Office		
Small Business Development Center - Cal Trans	59.037	55,668
Pass-through Long Beach Community College District		
Small Business Development Center	59.037	293,428
Total Small Business Administration		349,096
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Americorps - National Service Awards	94.006	61,827
Total Expenditures of Federal Awards		$ 26,426,719

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Program	Program Entitlements Current Year	Prior Year	Total Entitlement
GENERAL FUND			
CSA Wired - CACT - (Passed Through Ca Space Authority)	$ -	$ 375,142	$ 375,142
CTE Equipment for Nursing/Allied Health	-	90,229	90,229
ITAR Economic Development Grant	-	30,297	30,297
Aerospace Export IDRC	-	48,862	48,862
Basic Skill	383,235	700,666	1,083,901
BFAP	509,803	41,628	551,431
CACT/BEST	-	49,044	49,044
Cal Grants	1,201,558	-	1,201,558
CalWORKs	527,760	36,981	564,741
Capacity Building for Nursing Program	-	159,478	159,478
Career Technical Education 06/07	-	118,555	118,555
Career Technical Education II	400,000	-	400,000
Career Technical Education 07/08	469,700	-	469,700
Career Technical Education II	100,000	-	100,000
Careers in Child Care Training Program	159,997	-	159,997
Center for Applied Competitive Technology - CACT-COCCC	205,000	-	205,000
Child Development Center	805	-	805
Cooperative Agencies Resources for Education (CARE)	258,797	-	258,797
CAHSEE	363,670	-	363,670
Community Advancement	16,000	-	16,000
Disabled Students Program and Services (DSP&S)	1,643,049	-	1,643,049
Economic Development	341,313	-	341,313
Enrollment Growth for Associated Degree in Nursing Program	221,000	5,806	226,806
Extended Opportunity Program and Services (EOP&S)	1,817,109	-	1,817,109
Faculty and Staff Diversity	20,134	-	20,134
Foster Care Education	118,368	-	118,368
High School Globalization	39,814	56,631	96,445
Honeywell Training RTF	-	40,458	40,458
Instructional Equipment	204,592	616,929	821,521
JDIF - Marinetime Basic Skills	-	74,799	74,799
JDIF - Work Ready Certification Program	-	51,510	51,510
Lottery	232,276	-	232,276
Matriculation	1,279,424	-	1,279,424
MESA Program	102,453	12,929	115,382
MAPP	25,225	-	25,225
Puente Reporting	-	2,550	2,550
Quick Start Partnership	-	57,335	57,335
ECP Youth Entrepreneur Program	50,000	-	50,000
SBDC - Youth Entrepreneur Program	50,000	35,236	85,236
Small Business Department of Commerce - CITD	205,000	18,488	223,488
Small Business Department of Commerce - COCCC	150,000	43,367	193,367
Staff Development	58,730	-	58,730

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
$ 370,490	$ -	$ 21,550	$ 348,940	$ 348,940
90,229	-	7,079	83,150	83,150
-	30,297	-	30,297	30,297
48,862	-	-	48,862	48,862
1,083,901	-	586,588	497,313	497,313
631,478	-	80,047	551,431	551,431
46,755	2,289	-	49,044	49,044
1,201,558	-	-	1,201,558	1,201,558
564,740	-	36,982	527,758	527,758
159,478	-	-	159,478	159,478
118,555	-	118,589	(34)	(34)
400,000	-	386,070	13,930	13,930
469,700	-	386,646	83,054	83,054
100,000	-	100,000	-	-
76,704	-	-	76,704	76,704
165,386	39,614	-	205,000	205,000
805	-	-	805	805
258,797	-	32,108	226,689	226,689
145,468	218,202	-	363,670	363,670
16,000	-	-	16,000	16,000
1,699,610	-	136,622	1,562,988	1,562,988
341,313	-	341,313	-	-
428,111	-	309,247	118,864	118,864
1,817,109	-	109,729	1,707,380	1,707,380
60,574	-	50,891	9,683	9,683
43,227	73,714	-	116,941	116,941
16,817	39,814	-	56,631	56,631
-	40,458	-	40,458	40,458
820,889	-	436,189	384,700	384,700
39,885	34,914	-	74,799	74,799
(13,066)	64,576	-	51,510	51,510
3,474	232,276	-	235,750	235,750
1,279,425	-	127,063	1,152,362	1,152,362
67,704	26,444	10,469	83,679	83,679
17,125	6,727	-	23,852	23,852
2,550	-	2,550	-	-
35,562	21,773	-	57,335	57,335
50,000	-	-	50,000	50,000
85,236	-	17,130	68,106	68,106
169,220	54,268	-	223,488	223,488
61,392	53,223	-	114,615	114,615
58,730	-	50,291	8,439	8,439

SCHEDULE OF EXPENDITURES OF STATE AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2009

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Teacher Pipeline	$ 207,435	$ -	$ 207,435
Transfer and Articulation	4,000	-	4,000
TRIO	-	32,431	32,431
TTIP Library Automation	36,036	6,052	42,088
TTIP Total Cost of Operation	-	10,365	10,365
Workplace Learning Center - Industry Driven Grants	-	84,711	84,711
Workplace Learning Center - WPLRC State Leadership	205,000	-	205,000
Youth Empowerment Strategies for Success	166,988	-	166,988
Total			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
$ 103,926	$ 111,479	$ -	$ 215,405	$ 215,405
4,000	-	3,440	560	560
32,431	-	-	32,431	32,431
42,088	-	3,781	38,307	38,307
10,365	-	10,365	-	-
272,211	-	187,500	84,711	84,711
156,110	48,890	-	205,000	205,000
92,762	61,076	-	153,838	153,838
$ 13,747,686	$ 1,160,034	$ 3,552,239	$ 11,355,481	$ 11,355,481

EL CAMINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENTS - ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2009

CATEGORIES	*Revised Reported Data	Audit Adjustments	Revised Audited Data
A. Summer Intersession			
1. Noncredit	4	-	4
2. Credit	1,291	-	1,291
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,574	-	16,574
(b) Daily Census Contact Hours	1,422	-	1,422
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	61	-	61
(b) Credit	1,117	-	1,117
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	3	-	3
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	20,472	-	20,472
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	-	-	-
2. Credit	1,458	-	1,458
	1,458	-	1,458

* Annual report revised as of November 2, 2009.

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	Capital Outlay Projects	Student Financial Aid
June 30, 2009, Annual Financial and Budget Report (CCFS-311)	$ 4,330,061	$ -
Adjustments to Increase (Decrease) Fund Balance		
Cash in county treasury	-	136,782
Accounts receivable	(532,822)	39,995
Accounts payable	-	(30,593)
Deferred revenue	-	(2,900)
Net Adjustments	(532,822)	143,284
Audited Fund Balance	$ 3,797,239	$ 143,284

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance, Retained Earnings, and Due to Student Groups:		
General Funds	$ 20,621,213	
Special Revenue Funds	5,392,008	
Debt Service Funds	10,729,095	
Capital Project Funds	110,194,437	
Enterprise Funds	2,329,226	
Internal Service Funds	4,559,658	
Fiduciary Funds	1,710,665	
Total Fund Balance, Retained Earnings and Due to Student Groups - All District Funds		$ 155,536,302
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	201,971,735	
Accumulated depreciation is	(49,751,726)	
Less fixed assets already recorded in the enterprise funds	(63,751)	152,156,258
Expenditures relating to the issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis.		2,543,017
Amounts held in trust on behalf of others (Trust and Agency Funds)		(1,567,381)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,452,623)
Long-term obligations at year end consist of:		
Bonds payable	182,959,047	
Unamortized premium	12,021,238	
Compensated absences	2,820,854	
Net OPEB obligation	1,717,355	(199,518,494)
Total Net Assets		$ 105,697,079

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues or expenses within the accompanying financial statements as the amounts were passed discretely to qualifying students or related to various programs' indirect costs recorded.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenses, and Changes in Net Assets:		$ 23,041,324
Federal Family Education Loans (FFEL)	84.032	3,349,133
Various programs indirect costs recorded in general unrestricted fund		36,262
Total Schedule of Expenditures of Federal Awards		$ 26,426,719

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Amount Provided to Subrecipients
U.S. DEPARTMENT OF EDUCATION		
Title V - Strengthening Institutions - Hispanic Serving Institutions		
Passed through to Drew University	84.031S	$ 150,268
Title V - Preparing Tomorrow's Teachers Today		
Passed through to Santa Monica City College	84.031S	296,690
NATIONAL SCIENCE FOUNDATION		
Advanced Aerospace Manufacturing Education		
Passed through to Butler College	47.076	9,271
Passed through to Oregon Institute of Technology	47.076	69,595
Passed through to Purdue University	47.076	59,697
Passed through to Small Manufacture's Institution	47.076	6,960
Total Federal Awards Provided to Subrecipients		$ 592,481

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

Schedule of Workload Measures for State General Apportionment - Annual (Actual) Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the financial statements of the business-type activities of El Camino Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 18, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered El Camino Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Camino Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of El Camino Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2009-1 through 2009-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Camino Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of El Camino Community College District in a separate letter dated December 18, 2009.

El Camino Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit El Camino Community College District's responses and, accordingly, express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 18, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
El Camino Community College District
Torrance, California

Compliance

We have audited the compliance of El Camino Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. El Camino Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of El Camino Community College District's management. Our responsibility is to express an opinion on El Camino Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about El Camino Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of El Camino Community College District's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs as items 2009-5 through 2009-9, the District did not comply with requirements regarding cash management, activities allowed or unallowed, special tests, and provisions that are applicable to its student financial assistance program. In addition, the District did not comply with requirements regarding allowable costs and suspension and debarment that are applicable to its Perkins IV, Title I, Part C; Title V; and STEM - Improvement Student Success Transfer programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, El Camino Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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Internal Control Over Compliance

The management of El Camino Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered El Camino Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of El Camino Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-5 through 2009-9 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

El Camino Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit El Camino Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 18, 2009

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the compliance of El Camino Community College District (the District) with the types of compliance requirements described in Section 400 of the California State System's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about El Camino Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of El Camino Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

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Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, El Camino Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2009-10 and 2009-11.

El Camino Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit El Camino Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges System's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 18, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.007; 84.032; 84.033; 84.063; 84.375	Student Financial Assistance Cluster
84.048	Perkins IV, Title I, Part C
84.031S	Title V
84.031C	STEM - Improving Student Success Transfer

Dollar threshold used to distinguish between Type A and Type B programs:	$ 792,802
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

2009-1 Finding

Programs Affected

CFDA No. 94.006: Americorps - National Service Award
CFDA No. 84.007; 84.032; 84.033; 84.063; 84.375: Student Financial Assistance Programs
CFDA No. 19.014: The International Exchange Program
CFDA No. 47.076: National Foundation
CFDA No. 93.600: Head Start Career Advancement Partnership

Criteria or Specific Requirement

OMB Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by awarding agency.
- Include, for Federal awards received as a sub-recipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition

Significant deficiency over internal controls.

A complete SEFA was prepared by the District; however, the following errors and omissions in the initial SEFA were noted:

1. The District received Federal funds from the Federal agency of Corporation for National and Community Services - Americorps - National Service Awards in the amount of $61,827. The revenue was recorded as local revenue within a trust account and not recorded as Federal revenue.
2. The Compton Center's Federal funding revenue and expenses for the Student Financial Assistance Programs (SFA) were missing off the SEFA. This omission accounted to approximately $4.6 million.
3. The International Exchange Trade Exchange program listed the incorrect CFDA number on the SEFA. This was determined by auditors per verification to the www.CFDA.gov website.
4. The National Science Foundation - A meeting of the minds did not have a CFDA number on the SEFA.
5. The Head Start Career Advancement Partnership did not have a CFDA number on the SEFA.

Questioned Costs

None as revenues were reclassified for presentation in the audited financial statements and the award information was properly reported on the Schedule of Expenditures of Federal Awards.

Context

The District reported total expenditures of Federal awards on the SEFA of $26,426,719.

Effect

Without proper controls over the reporting of Federal awards, the District is at risk of improperly reporting and accounting for the Federal awards. This could result in noncompliance with Federal award compliance.

Cause

The cause of the condition for the grant was due to lack of communications between departments requesting Federal funding and departments receiving Federal funds, therefore, resulting in the improper reporting of Federal revenue and expenditures incurred during the 2008-2009 fiscal year.

Recommendation

The District fiscal services personnel must review its procedures over the collection of data to be included in the SEFA and also review its existing format of the SEFA to ensure all required elements are properly reported. A procedure should be established between departments receiving Federal revenue to communicate the source of the funding and accounting for the related expenditures which will be reported on the District's final SEFA.

District Response

The District agrees with the finding and recommendation of the auditors. The District will take the appropriate steps to ensure that all Federal revenue is reported on the report, and that all CFDA program numbers are listed correctly.

STUDENT RECEIVABLES

2009-2 Finding

Criteria or Specific Requirement

Management is responsible for maintaining a system of controls designed to prevent and detect material misstatements or fraud. In addition, management is responsible for designing a system to monitor whether or not the internal control systems designed by the District are being adhered to.

Condition

Significant Deficiency - The monitoring, tracking, and collection of the student receivables has been a challenge for the District for many years. The current amount recorded on the District's general ledger dates back to the District's conversion to the Datatel system approximately nine years ago. As a student registers for classes, the student receivable is created. Historically, students have been allowed to register for classes without simultaneously paying their fees. The student was expected to pay their fees prior to the start of the term or during the term. The District's policy is to place a hold on registration if the registration fees are not paid. A review of the detailed listing of student account receivable documents that students have been allowed to register for subsequent terms without having paid their outstanding balances in full. It was noted that various individuals on campus have the ability to override the system and remove the registration hold. It was also noted that the District had not been using any collection process on these delinquent fees. There should be controls in place to limit access to override a student's account and remove their registration hold. The District should also have implemented some collection procedure for the delinquent accounts.

Questioned Costs

A specific dollar amount could not be calculated with this finding.

Context

Without proper oversight and controls in place, this condition identified could result in loss of revenue for the District.

Effect

Without proper controls in place, the District could loss a large amount of revenue from the student's receivables. Also, the student receivables will continue to grow and become unmanageable.

Cause

District payment policy has not been followed. There has not been adequate oversight the student receivable accounts.

Recommendation

The District should implement controls to monitor, evaluate and follow up on delinquent student receivables. They should also implement tighter controls to limit and or monitor access to the system to remove the holds on registrations.

District Response

The District agrees with the auditor's finding and recommendation. The District has recently implemented a collection method by using COTOP procedures as recommended by the Chancellor's Office. The District will undertake a review of the violations of the District student payment policy and implement controls to avoid future violations.

HUMAN RESOURCE - PAYROLL PROCEDURES

2009-3 Finding

Criteria or Specific Requirement

The Human Resource Department and the Payroll Department must have checks and balances in place to ensure there is proper segregation of duties between the two departments.

Condition

It was noted that payroll technicians are responsible for entering salary schedule placement information into the system which is provided by the Human Resources Department. After the information has been input into the system, "Employee Information Reports" are generated by the County and sent to the District. These reports are forwarded to the Human Resources Department. However, the information contained within the reports is not being consistently reviewed by all personnel to ensure that the payroll input was accurate.

Questioned Costs

Not applicable. See Effect.

Context

The condition was identified as a direct result of testing the internal control functions of the human resource's employees' functions versus the payroll department's employees' functions and the segregation of duties between the two departments.

Effect

The auditors were unable to identify any fiscal impact related to the condition identified. However, the District could possibly be paying employees a higher salary than their contract identified as their salary.

Cause

The auditors have determined that the condition identified materialized due to an ineffective control activity currently implemented by the District.

Recommendation

It is recommend that upon receipt of the "Employee Information Reports", the Human Resources personnel compare the wage information to employee personnel files and other Human Resources data to ensure that the Payroll Department input the data accurately.

District Response

The District agrees with the finding and the recommendation of the auditors. The Human Resources staff immediately began implementing the process of comparing wage information to the employee personnel files to ensure that the Payroll Department has input the data accurately.

BEGINNING FUND BALANCES

2009-4 Finding

Criteria or Specific Requirement

California *Education Code* Section 84030 states that California community colleges' accounting systems shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). According to the BAM, a fund's beginning fund balance should equal the ending fund balance of the prior period. Revenue received or expenditures paid that are more or less than the accrual established in the prior year should be recorded as an increase to the current year revenue or expenditures and not an adjustment to the beginning fund balance.

Condition

Significant Deficiency - During the current fiscal year, the reconciliation of the beginning fund balance became a time consuming and difficult task due to a variety of adjustments done by the client to the beginning fund balances. Also, some of the prior year audit adjustments were not done as well which made the beginning fund balances not in agreement to the prior year audit report. The adjustments done by the auditor to reconcile beginning fund balance varied from $1,271 to $1,627,041. The prior year audited ending fund balance should be the District's beginning fund balances in the current year. The only adjustments that should be done to the beginning fund balance are the adjustments that are related to the audited ending fund balance noted in the prior year audit report. All other activity should run through the current year activity.

Questioned Costs

For the condition noted, there is not an associated questioned cost.

Context

The condition was identified as a direct result of reconciling the beginning fund balances.

Effect

By using the fund balance account, the District is not properly stating their actual revenue and expenses for the year.

Cause

The District has posted several adjustments to the fund balance in the current year which should have been reported as current year revenues or expenditures.

Recommendation

It is recommended that the District does not use their fund balance account to post adjustments other than the auditors' adjustments.

District Response

The District agrees with and understands the recommendation of the auditors. The District is taking steps to record all internal adjustments as current year transactions. The District will work in conjunction with the auditors on any materially significant adjustments that may require a restatement of prior financial reports.

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

CASH MANAGEMENT

2009-5 Finding

Program: Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375
Compliance Requirement: Cash Management

Federal Programs Affected

CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375

Criteria or Specific Requirement

OMB Circular A-133's compliance supplement under cash management
A-102 Common Rule, Circular A-110

An eligible institution (El Camino Community College District) may enter into a written arrangement with a non-eligible institution (Compton Community College District) under which the other institution provides part of the educational program under certain conditions. However, the non-eligible institution cannot run the program's revenue and expenses through their system. All Federal funds received need to be deposited and monitored by the eligible institution.

Condition

When Compton Community College District lost their accreditation, they were deemed ineligible to participate in the Federal assistance programs. The Federal program needs to operate over the direct supervision of El Camino Community College District. All Federal revenue and expenditures must therefore run through El Camino Community College District's financial system. During testing, it was noted that the funds were drawn down and deposited into Compton Community College District's cash in county rather than El Camino Community College District's. All the disbursements to the students were also run through Compton Community College District's general ledger rather than El Camino Community College District's.

Questioned Costs

El Camino Community College District did create a sub-account in which they record the activity of Compton Community College District's Student Financial Aid. However, Compton Community College District also reported all the activity on their ledger as well. At year end, the auditors made an adjustment of $4,616,487 to bring Compton Community College District's Financial Aid Program onto El Camino Community College District's financials.

Context

When Compton Community College District lost accreditation for the academic programs, it also lost the authorization to operate their financial aid programs included within the Federal Student Aid Cluster. Through a memorandum of understanding with the El Camino Community College District, the financial aid program was able to continue under the direct supervision of El Camino Community College District. However, Compton Community College District was not to award funding to students at Compton Community College District. The activities do not, therefore, belong to the Compton Community College District and should be included on El Camino Community College District's ledgers.

Effect

The District can potentially face future financial sanctions or penalties from the Department of Education if the District fails to take corrective actions to remedy the condition identified.

Cause

It was determined that the condition was identified due to an ineffective control activity currently implemented by the District to ensure compliance over this area.

Recommendation

It is recommended that El Camino Community College District change their current practice with the cash drawdowns and disbursements of the Compton Community College District's financial aid program. All Federal funds need to be deposited and managed by El Camino Community College District. All disbursements, therefore, also need to be run through El Camino Community College District's student financial aid fund as well.

District Response

The District understands the audit finding and recommendation. The District will work with the Los Angeles County of Education and the Compton Educational Center to modify the current procedures for recording the disbursement of Federal student financial awards to Compton Educational Center students.

ACTIVITIES ALLOWED - UNALLOWED

2009-6 Finding

Program: Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375
Compliance Requirement: Activities Allowed - Unallowed

Federal Program Affected

CFDA No.: 84.033: Federal Work-Study (FWS)

Criteria or Specific Requirement

OMB Circular A-133's compliance supplement under activities allowed
A-102 Common Rule, Circular A-110

Condition

Ineffective controls over Federal work study timecards identified at both the El Camino campus and the Compton Center as follows:

The testing of the Federal work study students who attend Compton Center was hindered by many delays on Compton Community College District's staff. There was a delay in providing a list of students who were charged to the Federal work study program. Then, after the list was provided, more delays in providing timecards hindered the testing. A population of 39 students (19 from the El Camino campus and 20 from the Compton Center) were tested at both the El Camino Campus and the Compton Center with the following errors noted:

- El Camino Campus: 16 students did not have a timecard signed by an appropriate supervisor.
- El Camino Campus: 3 students' pay per the payroll register did not agree to their timecards.
- El Camino Campus: 1 student's hours were incorrectly calculated.
- Compton Center: 3 students did not have a timecard signed by an appropriate supervisor.
- Compton Center: 7 students' pay per the payroll register did not agree to their timecards.
- Compton Center: 1 student's hours were incorrectly calculated.
- Compton Center: None of the timecards had the general ledger account number to charge the time to. Therefore, it was difficult to determine if the hours were charged to the correct program.

Questioned Costs

Due to the nature of this situation, it was difficult to directly associate any question costs related to the condition identified.

Context

The condition was identified as a direct result of sampling the District's internal controls over the Federal work study program's timecards.

Effect

A fiscal impact related to the condition identified could not be established. However, the District can potentially face future financial penalties from the Department of Education if they are not in compliance with the requirements of the program.

Cause

The condition materialized due to the ineffective internal controls over the Federal work study program and their associated timecards.

Recommendation

It is recommended that better internal controls be established over the Federal work study timecards. Care must be given to recording the students' time correctly and charging their time to the appropriate program.

District Response

The District understands and concurs with the audit recommendation. The District will implement procedures to bring the program into compliance with Federal guidelines by strengthening the controls over the supervision of Federal work study awards, time recording, and payroll procedures.

SPECIAL TESTS AND PROVISIONS

2009-7 Finding

Program: Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375
Compliance Requirement: Special Tests and Provisions

Federal Programs Affected

CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375

Criteria or Specific Requirement

A-133 Compliance Supplement, 34 CFR section 668.173(b):

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition

Significant Deficiency - During our review of the requirements for return to Title IV, it was observed that the District is returning their portion of the funds owed more than 45 days after the District has been made aware of the funds owed back. Therefore, the District is not in compliance with the above mentioned criteria.

Questioned Costs

Total questioned costs are $591. This amount was paid back after the 45 day deadline.

Context

The auditors tested 40 students and noted seven students were out of compliance.

Effect

The District is not in compliance with the Federal requirements described in A-133 Compliance Supplement 34 CFR section 668.173(b).

Cause

The District has not implemented policies and procedures to ensure the compliance with Federal requirements.

Recommendation

It is recommended that the District implement procedures to ensure that the return Title IV Funds occurs within 45 days from the date the District determines the student withdrew from all of his or her classes.

District Response

The District understands the recommendation of the auditor. The Financial Aid Office will implement procedures to ensure the return of Title IV funds within the 45 day limit.

ALLOWABLE COSTS

2009-8 Finding

Program: Perkins IV, Title I, Part C
CFDA No.: 84.048
Compliance Requirement: Allowable Costs

Criteria or Specific Requirement

OMB Circular A-21 Section 1f
Costs must meet certain general criteria:

- Be supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, cancelled checks, and time and attendance records, and correctly charged as to account, amount, and period.

Condition

During testing of the Title I, Part C program, it was noted that the District does not have procedures in place to monitor the expenditures submitted by the El Camino Compton Education Center. Reimbursements to the center are processed without appropriate supporting documentation attached that shows the program director at El Camino Community College District approved the expenditures of the El Camino Compton Education Center.

Questioned Costs

A total of $116,964 in reimbursement costs were paid to the El Camino Compton Education Center.

Context

The District has not implemented procedures to ensure the compliance with Federal requirements.

Effect

Reimbursed expenditures may be for unallowable costs resulting in the loss of Federal funding.

Cause

The District has not implemented procedures to ensure the compliance with Federal requirements.

Recommendation

We recommend the District modify its policies and procedures to verify all expenditures are supported by appropriate documentation, such as purchase orders, receiving reports, and vendor invoices. This will ensure that all funds expended under the program are only for allowable costs.

District Response

The District agrees with the audit recommendation and will implement procedures to verify all expenditures are supported by appropriate documentation before reimbursing the Compton Education Center. The District will also verify that the funds expended are only for allowable costs.

SUSPENSION AND DEBARMENT

2009-9 Finding

Federal Program Affected

Perkins IV, Title I, Part C (CFDA No. 84.048)
Title V (CFDA No. 84.031C)
STEM - Improving Student Success Transfer (CFDA No. 84.031S)

Criteria

Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Pre-Award Requirements, Section 80.35 Sub-awards to debarred and suspended parties:

- Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and suspension:

- Federal awarding agencies and recipients shall comply with the non-procurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts sub-awards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition

During testing of the Title I, Part C and Title V programs, it was noted that the District does not have procedures to ensure that the District is not expensing monies to independent parties that have been determined to be suspended or debarred by the Federal government. The District does not have within their contracts, nor are they checking the Excluded Parties List System (EPLS) for all vendors over $25,000 as required by the Office of Management and Budget.

Effect

Future expenditures to excluded parties can result in the District having to return Federal funds.

Cause

The District has not implemented policies and procedures to ensure the compliance with Federal requirements.

Context

The District did not expend any funds to excluded parties, but controls are not in place to ensure that future Federal funds are not expended to an entity included in the Excluded Parties List.

Questioned costs

No questioned costs. See context.

Recommendation

We recommend the District modify its procedures to verify all vendors who are providing services to federally funded programs in excess of $25,000 have verified that the entity is not suspended, debarred, or otherwise excluded. This verification may be accomplished by checking the EPLS maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. The District should also update contract templates for all contract types that exceed $25,000 to avoid any noncompliance and possible return of Federal monies.

District Response

The District did implement procedures to verify whether or not a firm has been suspended or debarred. Staff did not document that verification procedure has occurred. Staff will now document that verification check on the body of the purchase order. The District will also update its purchase order form and contract template to contain appropriate language notifying vendors of the suspension and debarment policy.

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES

2009-10 Finding

Criteria or Specific Requirement

- *Education Code* Sections 48800-48802, 76000-76002, and 84752
- For physical education classes, no more than 10 percent of its enrollment may be comprised of special part-time or full-time students.

Condition

During testing of Concurrent Enrollment, it was noted that the District is not properly monitoring physical education course sections to verify that enrollment of Concurrent Students does not exceed 10 percent of total enrollment in the class. The auditor found two Physical Education courses where enrollment of concurrent students exceeds 10 percent of total enrollment in the class.

Questioned Costs

Due to the nature of this compliance requirement, no questioned costs could be related to the condition.

Context

The condition was identified as a direct result of sampling the District's concurrent enrollment population's physical education courses.

Effect

The auditor was unable to identify any fiscal impact related to the condition identified. However, the District is not in compliance with the State requirements for Concurrent Enrollment program.

Cause

The condition materialized due to an ineffective control activity currently implemented by the District over concurrent enrolled high school students.

Recommendation

The auditors recommend that proper procedures be implemented to monitor and ensure that for Physical Education Course sections, the enrollment of concurrent students does not exceed 10 percent of total enrollment in the class.

District Response

The District will investigate available methodology for the monitoring of the concurrent enrollment of high school students in physical education courses. The District will also research available procedures to ensure the enrollment in these courses by high school students does not exceed ten percent of the total enrollment in the class.

RESIDENCY DETERMINATION FOR CREDIT COURSES

2009-11 Finding

Criteria or Specific Requirement

- *Education Code* Sections 68000-68044, 68050-68080, 68082, 68100, 68130, 76140, 76140.5, and 76143
- CCR, Title 5, Sections 54000-54072
- California Community Colleges, Student Attendance Accounting Manual (SAAM)

Condition

During the auditor's review of residency determination, deficiencies were found in charging fees and refunding fees to nonresident students. Our sample of 39 students tested found four exceptions in which nonresident students were either not charged the correct fee or not refunded the correct amounts (as outlined in the District's catalogs). Nonresidents are refunded in increments of zero percent to 100 percent of the tuition paid for the class that they dropped according to the date that they dropped on. One nonresident student dropped a class on September 12 (which should equate to a 50 percent refund). This student was charged for 75 percent of fees and was refunded only 25 percent of fees paid. A second nonresident student dropped two classes on September 5 (which should equate to a 75 percent refund). However, this student was not charged for the correct percentage of fees. A third student tested dropped a class after the last drop date and was charged State tuition, but not the required nonresident tuition. The fourth student had their residency code changed in the system to resident. However, this particular student was a resident in Hawaii and was improperly changed to resident and not charged nonresidency fees.

Questioned Costs

Due to the nature of this compliance requirement, no questioned costs could be related to the condition.

Context

The condition was identified as a direct result of sampling the District's nonresidency students.

Effect

The auditor was unable to identify any fiscal impact related to the condition identified. However, the District is not in compliance with the State requirements for Nonresidency Enrollment program.

Cause

The condition materialized due to an ineffective control activity currently implemented by the District over nonresident students.

Recommendation

It is recommended that proper procedures should be implemented in order to ensure that students are properly charged for fees. In addition, the system the client uses, DataTel, should be updated in order to verify that the nonresidency refund policy dates are correctly entered.

District Response

The District understands the audit recommendation and will take steps to ensure that students are properly charged for fees. The nonresident refund policy dates are correctly entered into the Datatel system.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

FINANCIAL STATEMENT FINDINGS

BOOKSTORE

2008-1 Finding

Criteria or Specific Requirements

The Bookstore is considered to be an enterprise fund. In governmental accounting, enterprise funds provide goods or services to the public for a fee that makes the entity self-supporting. All enterprise funds should follow generally accepted accounting principles.

Condition

Significant Deficiency – The auditor noted the Bookstore has adopted a new accounting system. It appears that proper training has not been provided for the staff. Manual journal entries to record satellite transactions and payroll have not occurred on a regular basis. Routine month-end closing has also not been completed timely. As a result, year-end financial reports were provided much after the request of the auditor and months after the Bookstore's close date. (The Bookstore's year end is April and the financials were provided in December.)

The auditor noted bank reconciliations are not being prepared in a timely manner. The bank reconciliations for the months of October 2007 through April 2008 were not prepared as of the end of field work date for the audit. This can result in incorrect balances and stale dated checks.

During testing of cash receipts, it was noted that one employee performs a majority of the key cash functions with no supervision. Cash collection, reconciliation of cash, and preparation of the deposit is performed by the same employee, and monitoring by management is not evident. Procedures indicate that a review of the deposit is performed by management; however, this was not evident during testing.

The Bookstore does not have adequate documentation to support the capitalized asset inventory amounts reported on their financials. The supporting documentation provided to the auditor only contained assets which were currently being depreciated. Upon discussion with Bookstore management, it was noted that once an asset is fully depreciated, the item is removed from the listing. The Bookstore does not have a method to track items removed from the depreciation report; therefore, we were unable to agree the reported amount to a complete listing of assets held by the Bookstore. Also, it was noted that the Bookstore does not have a formal capitalization policy. Bookstore management stated that they follow the District's policy of a capitalization threshold of $5,000; however, a review of the depreciation report indicated that assets with cost below the $5,000 threshold were being depreciated by the Bookstore.

A capital asset inventory adjustment of $261,581 was done to reconcile the financial system to the physical inventory.

Cause

There has not been adequate oversight over the Bookstore financial operations. There has been no monthly review of the bank reconciliations. Adequate training was not provided to the staff.

Context

The Bookstore's operations are separate from the District's general ledger. Without proper oversight over the conditions identified, this could result in misappropriation of assets.

Effect

The ineffective controls at the Bookstore led to a significant delay in the closing process of the Bookstore which affected the timely reporting of the District's audit.

Recommendation

The new accounting system should be analyzed and proper training done for all staff to help eliminate errors. Manual journal entries should be completed in a timely manner to allow for timely completion of routine month-end closing. Such procedures will ensure the timely preparation of financial statements and accurate reporting of all financial activity.

Bank reconciliations should be prepared the month following the closing date of the bank statement. Such timely preparation of the bank statement will ensure that all deposits have been verified and that any stale dated checks are identified and written off. Timely preparation of the bank reconciliation also ensures that the site knows the cash balance available on a monthly basis and will thus aid in the prevention of overdrafts.

Proper internal control procedures indicate custody and recording of cash should be adequately segregated. The collection of cash should be performed by a separate individual other than the one reconciling cash. Adequate documentation of the review of the bank deposit should be maintained, such as a signature by the reviewer.

The Bookstore should complete an inventory of all capitalized assets and ensure that this listing agrees to the amounts reported on their financial statements. The Bookstore should also develop a capitalization policy and ensure that the capitalization requirements set forth by this policy are being adhered to.

Questioned Costs

No questioned costs associated with this finding.

Current Status

Improved. See current year management letter.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

2008-2 Finding

Program Affected

U.S. Department of Education
VTEA I-C - Career Technical Education CFDA No. 84.048
Title V - Strengthening Institutions - Hispanic Serving Institutions
Student Financial Aid Cluster Program - (All Compton Center)

U. S. Department of State
The International Exchange Program - Trade Exchange - 19.430 (no CFDA No.)

Small Business Administration
Small Business Development Center - Cal Trans 59.037 - Revenue recorded as Federal, but the District recorded it on the State page.

Compliance Requirement

Reporting

Condition

We noted the following errors and omission in the District's initial SEFA:

1. Identification numbers, catalog of Federal domestic assistance (CFDA), and/or other identifying number (when the CFDA information is not available assigned by each Federal agency) were missing on two programs: the International Exchange Program - Trade Exchange and the Small Business Development Center - Cal Trans grant.
2. One grant was reported on the SEFA as State; however, the program was a Federal program and the revenue was recorded as Federal in the client's system. This program was also passed through the California Community College System's Office, and this information was missing from the SEFA as well.
3. VTEA 1-C - Career Technical Education Grant's sub-recipients expenditures were omitted from the SEFA and, therefore, the total expenditures did not agree to the general ledger.
4. The Compton Center's Federal funding revenue and expenses for the Pell, FSEOG, ACG, and Federal work-study was missing off the SEFA. This omission accounted to approximately $3.2 million.
5. Reconciliations of total Federal revenue were not done by client.

Criteria

OMB Circular A-133 requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. At a minimum, the schedule should contain the following:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs.
2. Include, for Federal awards received as a sub-recipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
3. Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. For Federal awards received as a pass-through entity, identify, to the extent practical, the total amount proved to subrecipients from each Federal program.
5. Include, in either the schedule or a note to the schedule, the value of Federal awards expended in the form of non-cash assistance.

Effect

The District could be out of compliance with reporting requirements that could result in unauthorized program costs which may be subject to reimbursement by the Federal program. Corrections have been made to the current year SEFA for the items noted above.

Questioned Costs

None noted.

Recommendation

We recommend that the District review its procedures over the collection of data to be included in the schedule of expenditures of Federal awards and also review its existing format of its schedule of Federal expenditures to ensure that it includes all of the above noted required elements.

Current Status

Not implemented. See current year finding 2009-1.

ACCOUNT RECONCILIATION – ACCOUNTS PAYABLE

2008-3 Finding

Criteria or Specific Requirements

Management is responsible for maintaining a system of controls designed to prevent and detect material misstatements or fraud. In addition, management is responsible for designing a system to monitor whether or not the internal control systems designed by the District are being adhered to.

Condition

Significant Deficiency – The accounts payable beginning balance is not being reconciled, thus resulting in a possible overstatement of current liabilities.

Questioned Costs

Not applicable. See effect.

Context

The District is not reconciling their beginning accounts payable balances. Several sub-accounts within the accounts payable balance were noted to have significant opening balances that were carried forward from the prior year and did not subsequently clear in the current year. There is currently no procedure in place to reconcile these opening balances to verify the full amount represents a valid liability at year end.

Effect

As a result of the audit, the opening accounts payable balance was reconciled and an adjustment of $2.3 million was made to remove these opening accounts payable balances and properly state the year-end liabilities.

Cause

Internal accounting policies/procedures do not properly address the reconciliation of opening accounts payable balances.

Recommendation

The District should begin to reconcile the opening balances of each of their sub-accounts within the accounts payable balance. The balances should be monitored consistently to determine whether the liability has been paid or, if not, whether the amount still represents a valid obligation at year end. If the liability has neither been paid nor represents a valid obligation at year end, the amount should be written off. Sufficient documentation should also be maintained to ensure the balances have been completely reconciled.

Current Status

Implemented.

FEDERAL AWARD FINDINGS

EQUIPMENT PURCHASE AND SAFEKEEPING

2008-4 Finding

Federal Program Affected

U.S. Department of Education (DOE), Career and Technology Educational Act (VTEA) - Title I-C (CFDA No. 84.048)

Criteria

OMB Circular A-110, Subpart C, Section 34 (3) and (4):

(3) *A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.*

(4) *A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.*

Condition

Significant Deficiency - The District has not maintained an inventory control system that satisfies the compliance criteria noted above. Equipment purchased with VTEA funds have not been identified as being used within the program, and tracked as VTEA funded equipment. A physical inventory has not been taken within the past two years to determine if the equipment remains in use within the program.

Effect

Equipment purchased through the VTEA program may not be properly safeguarded and maintained for use within the program.

Cause

The District has not implemented policies and procedures to ensure the compliance with Federal requirements.

Context

The District's non-compliance can lead to future reductions in funding from the Federal awarding agency.

Questioned Costs

For the condition noted, there is not an associated questioned cost.

Recommendation

A process to ensure the complete inventory listing of equipment purchased with Federal program funds should be implemented immediately. A process to ensure all equipment purchased through the program remains in use within the program should be implemented through a bi-annual physical inventory count.

Current Status

Implemented.

TIME AND EFFORT REPORTING

2008-5 Finding

Federal Program Affected

U.S. Department of Education (DOE), Career and Technology Educational Act (VTEA) - Title I-C (CFDA No. 84.048)

Criteria

Office of Management and Budget Circular Number A 87, Attachment B Section 11(h). California School Accounting Manual; Procedure 905.

Condition

The program is not having individuals who are being charged to the Federal program certify that they are actually performing work on the program. Time studies are not being completed for individuals who work full time or part time on the program as required by the Office of Management and Budget.

Effect

Without effective controls, unreasonable expenditures may be charged to the grant.

Cause

Procedures and controls over compliance do not clearly specify how the time certification process should be completed.

Context

The District is not having any employees working on Federal programs complete time certifications.

Questioned Costs

The questioned costs associated with these findings are $674,320. This is the amount of total salaries and benefits charged to the Federal program which did not have correct time certifications.

Recommendation

The District should have all individuals working on any Federal program certify their time as required by the Office of Management and Budget.

Current Status

Implemented.

SUSPENSION AND DEBARMENT

2008-6 Finding

Federal Program Affected

U.S. Department of Education (DOE), Career and Technology Educational Act (VTEA) - Title I-C (CFDA No. 84.048)

Criteria

Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Pre-Award Requirements, Section 80.35 Sub-awards to debarred and suspended parties:

- Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and suspension:

- Federal awarding agencies and recipients shall comply with the non-procurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts sub-awards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition

During testing of the VTEA program, it was noted that the District does not have procedures to ensure that the District is not expensing monies to independent parties that have been determined to be suspended or debarred by the Federal government. The District does not have within their contracts, nor are they checking the Excluded Parties List System (EPLS) for all vendors over $25,000 as required by the Office of Management and Budget.

Effect

Future expenditures to excluded parties can result in the District having to return Federal funds.

Cause

The District has not implemented policies and procedures to ensure the compliance with Federal requirements.

Context

The District did not expend any funds to excluded parties, but controls are not in place to ensure that future Federal funds are not expended to an entity included in the Excluded Parties List.

Questioned costs

No questioned costs. See context.

Recommendation

We recommend the District modify its procedures to verify all vendors who are providing services to federally funded programs in excess of $25,000 have verified that the entity is not suspended, debarred, or otherwise excluded. This verification may be accomplished by checking the EPLS maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. The District should also update contract templates for all contract types that exceed $25,000 to avoid any non-compliance and possible return of Federal monies.

Current Status

Not implemented. See current year finding 2009-9.

ADDITIONAL SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2009

	General Funds		Special Revenue Funds	
	General Unrestricted	**General Restricted**	**Child Development**	**Retiree Benefits**
ASSETS				
Cash and cash equivalents	$ 190,078	$ 74,419	$ -	$ -
Investments	8,761,811	4,782,741	47,598	5,345,911
Accounts receivable	13,229,757	3,781,611	14,595	24,765
Student receivable	4,412,616	-	-	-
Due from other funds	300,000	-	-	-
Prepaid expenses	1,115	-	-	-
Inventories	31,314	-	-	-
Other current assets	-	121	-	-
Total Assets	$ 26,926,691	$ 8,638,892	$ 62,193	$ 5,370,676
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 3,668,798	$ 2,355,255	$ 37,242	$ -
Amounts held for others	200,000	-	-	-
Deferred revenue	4,336,227	4,384,090	3,619	-
Total Liabilities	8,205,025	6,739,345	40,861	-
FUND BALANCES				
Reserved	132,429	-	-	-
Unreserved				
Designated	-	1,899,547	21,332	5,370,676
Undesignated	18,589,237	-	-	-
Total Fund Balances	18,721,666	1,899,547	21,332	5,370,676
Total Liabilities and Fund Balances	$ 26,926,691	$ 8,638,892	$ 62,193	$ 5,370,676

See accompanying note to additional supplementary information.

Debt Service Fund	Capital Project Funds		
Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
$ -	$ 45,703	$ -	$ 310,200
10,729,095	3,188,535	110,290,760	143,146,451
-	1,359,653	806,833	19,217,214
-	-	-	4,412,616
-	-	-	300,000
-	-	-	1,115
-	-	-	31,314
-	-	-	121
$ 10,729,095	$ 4,593,891	$ 111,097,593	$ 167,419,031
$ -	$ 533,376	$ 4,700,395	$ 11,295,066
-	-	-	200,000
-	263,276	-	8,987,212
-	796,652	4,700,395	20,482,278
-	-	-	132,429
10,729,095	3,797,239	106,397,198	128,215,087
-	-	-	18,589,237
10,729,095	3,797,239	106,397,198	146,936,753
$ 10,729,095	$ 4,593,891	$ 111,097,593	$ 167,419,031

EL CAMINO COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	General Funds		Special Revenue Funds	
	General Unrestricted	General Restricted	Child Development	Retiree Benefits
REVENUES				
Federal revenues	$ 189,518	$ 4,953,941	$ 10,986	$ -
State revenues	73,511,024	9,536,754	163,140	-
Local revenues	35,645,455	4,232,063	256,140	111,112
Total Revenues	109,345,997	18,722,758	430,266	111,112
EXPENDITURES				
Current Expenditures				
Academic salaries	49,707,386	2,829,070	284,586	-
Classified salaries	24,041,779	8,800,347	151,813	-
Employee benefits	17,268,834	2,477,592	114,509	-
Books and supplies	1,177,802	1,132,674	20,117	-
Services and operating expenditures	9,288,277	4,545,883	1,742	-
Capital outlay	313,213	1,680,033	-	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	101,797,291	21,465,599	572,767	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,548,706	(2,742,841)	(142,501)	111,112
OTHER FINANCING SOURCES (USES)				
Operating transfers in	200,000	4,465,636	75,000	900,000
Operating transfers out	(5,682,669)	(1,250,000)	-	-
Other uses	(10,000)	(314,712)	-	-
Total Other Financing Sources (Uses)	(5,492,669)	2,900,924	75,000	900,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,056,037	158,083	(67,501)	1,011,112
FUND BALANCE, BEGINNING OF YEAR	16,665,629	1,741,464	88,833	4,359,564
FUND BALANCE, END OF YEAR	$ 18,721,666	$ 1,899,547	$ 21,332	$ 5,370,676

See accompanying note to additional supplementary information.

Debt Service Fund	Capital Project Funds		
Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
$ -	$ -	$ -	$ 5,154,445
89,016	1,859,866	-	85,159,800
14,070,597	991,064	3,132,905	58,439,336
14,159,613	2,850,930	3,132,905	148,753,581
-	-	-	52,821,042
-	-	-	32,993,939
-	-	-	19,860,935
-	715	34,670	2,365,978
-	384,998	2,152,159	16,373,059
-	1,554,922	25,060,553	28,608,721
5,900,000	-	-	5,900,000
8,373,044	-	-	8,373,044
14,273,044	1,940,635	27,247,382	167,296,718
(113,431)	910,295	(24,114,477)	(18,543,137)
-	267,033	-	5,907,669
-	-	-	(6,932,669)
-	-	-	(324,712)
-	267,033	-	(1,349,712)
(113,431)	1,177,328	(24,114,477)	(19,892,849)
10,842,526	2,619,911	130,511,675	166,829,602
$ 10,729,095	$ 3,797,239	$ 106,397,198	$ 146,936,753

EL CAMINO COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2009

	Enterprise Fund	
	Bookstore	Internal Service Fund
ASSETS		
Cash and cash equivalents	$ 593,661	$ 10,000
Investments	-	989,334
Accounts receivable	1,672,667	2,768
Prepaid expenses	150	-
Inventories	738,121	-
Other current assets	-	3,562,113
Furniture and equipment (net)	63,751	-
Total Assets	$ 3,068,350	$ 4,564,215
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	$ 439,124	$ 4,557
Due to other funds	300,000	-
Total Liabilities	739,124	4,557
FUND EQUITY		
Retained earnings	2,329,226	4,559,658
Total Liabilities and Fund Equity	$ 3,068,350	$ 4,564,215

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Fund	
	Bookstore	Internal Service Fund
OPERATING REVENUES		
Sales revenues	$ 8,634,656	$ 2,269,468
OPERATING EXPENSES		
Classified salaries	1,243,124	58,764
Employee benefits	350,580	17,324
Books and supplies	31,206	-
Services and other operating expenditures	6,656,133	2,892,222
Total Operating Expenses	8,281,043	2,968,310
Operating Income (Loss)	353,613	(698,842)
NONOPERATING REVENUES (EXPENSES)		
Interest income	-	1,639,160
Miscellaneous revenues	361,810	8,524
Operating transfers in	-	1,000,000
Operating transfers out	(276,000)	-
Total Nonoperating Revenues (Expenses)	85,810	2,647,684
NET CHANGE	439,423	1,948,842
RETAINED EARNINGS, BEGINNING OF YEAR	1,889,803	2,610,816
RETAINED EARNINGS, END OF YEAR	$ 2,329,226	$ 4,559,658

See accompanying note to additional supplementary information.

PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Fund	
	Bookstore	**Internal Service Fund**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales	$ 8,634,656	$ 2,269,468
Cash payments to employees for services	(1,593,704)	(76,088)
Cash payments for other operating expenses	(7,807,793)	(4,415,468)
Net Cash Flows from Operating Activities	(766,841)	(2,222,088)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers, net	(276,000)	1,000,000
Nonoperating revenues	361,810	8,524
Net Cash Flows from Noncapital Financing Activities	85,810	1,008,524
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Disposition of capital assets	193,262	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	-	1,639,159
Net change in cash and cash equivalents	(487,769)	425,595
Cash and cash equivalents - Beginning	1,081,430	573,739
Cash and cash equivalents - Ending	$ 593,661	$ 999,334
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ 353,613	$ (698,842)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	25,686	-
Changes in assets and liabilities:		
Receivables	149,234	1,687
Inventories	354,336	-
Prepaids and other current assets	8,175	(1,517,235)
Accounts payable	(1,307,885)	(7,698)
Due to other funds	(350,000)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (766,841)	$ (2,222,088)

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2009

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	$ 117,949	$ 51,380	$ -
Investments	-	-	136,782
Accounts receivable	5,226	-	39,995
Prepaid expenses	-	-	-
Total Assets	$ 123,175	$ 51,380	$ 176,777
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 5,057	$ -	$ 30,593
Deferred revenue	-	-	2,900
Due to student groups	-	-	-
Total Liabilities	5,057	-	33,493
FUND BALANCES			
Unreserved			
Undesignated	118,118	51,380	143,284
Total Fund Balances	118,118	51,380	143,284
Total Liabilities and Fund Balances	$ 123,175	$ 51,380	$ 176,777

See accompanying note to additional supplementary information.

Scholarship and Loan	Auxiliary Services	Associated Student Organization	Other Trust	Total
$ 415,248	$ 371,869	$ 90,630	$ 313,260	$ 1,360,336
-	200,000	-	-	336,782
-	4,041	3,712	-	52,974
-	22,285	-	-	22,285
$ 415,248	$ 598,195	$ 94,342	$ 313,260	$ 1,772,377
$ -	$ 23,162	$ -	$ -	$ 58,812
-	-	-	-	2,900
-	236,451	89,956	-	326,407
-	259,613	89,956	-	388,119
415,248	338,582	4,386	313,260	1,384,258
415,248	338,582	4,386	313,260	1,384,258
$ 415,248	$ 598,195	$ 94,342	$ 313,260	$ 1,772,377

EL CAMINO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	$ -	$ -	$ 17,886,879
State revenues	-	-	1,817,922
Local revenues	14,754	24,973	-
Total Revenues	14,754	24,973	19,704,801
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	35,916	15,425	-
Total Expenditures	35,916	15,425	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,162)	9,548	19,704,801
OTHER FINANCING SOURCES (USES)			
Operating transfers in	24,300	-	-
Operating transfers out	-	-	-
Other uses	-	-	(19,778,110)
Total Other Financing Sources (Uses)	24,300	-	(19,778,110)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,138	9,548	(73,309)
FUND BALANCE, BEGINNING OF YEAR	114,980	41,832	216,593
FUND BALANCE, END OF YEAR	$ 118,118	$ 51,380	$ 143,284

See accompanying note to additional supplementary information.

Scholarship and Loan	Auxiliary Services	Associated Student Organization	Other Trust	Total
$ 61,827	$ -	$ -	$ -	$ 17,948,706
-	-	-	-	1,817,922
379,012	255,453	67,611	410,107	1,151,910
440,839	255,453	67,611	410,107	20,918,538
452,615	506,385	70,973	398,758	1,480,072
452,615	506,385	70,973	398,758	1,480,072
(11,776)	(250,932)	(3,362)	11,349	19,438,466
-	301,000	-	-	325,300
-	(24,300)	-	-	(24,300)
-	-	-	-	(19,778,110)
-	276,700	-	-	(19,477,110)
(11,776)	25,768	(3,362)	11,349	(38,644)
427,024	312,814	7,748	301,911	1,422,902
$ 415,248	$ 338,582	$ 4,386	$ 313,260	$ 1,384,258

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of the El Camino Community College District. The governmental and fiduciary funds are presented on the modified accrual basis of accounting while proprietary funds operate on a full accrual basis. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The Bookstore has a fiscal year end of April 30 that differs from the District's fiscal year end. However, the year ends are treated consistently each year. At year end, the Bookstore owed the District $300,000. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.